

**781—14.5(12C) Securing uninsured public deposits in credit unions using a letter of credit.**

**14.5(1)** A credit union shall secure the uninsured public time deposits of a public unit with a letter of credit as defined in these rules and Iowa Code section 12C.16.

**14.5(2)** The public unit shall have in its possession, prior to or simultaneously at the time of deposit of uninsured public deposits, a letter of credit issued by the U.S. Central Credit Union or by the Federal Home Loan Bank of Des Moines, Iowa, to the public unit in an amount that is not less than 110 percent of the amount of public funds deposits to be secured thereby. The letter of credit shall have an expiration date which is at least ten business days later than the maturity date of the time deposit.

**14.5(3)** The public unit shall keep the letter of credit in a vault or a safe-deposit box in a financial institution other than the credit union until such time as the letter of credit expires or is presented for payment to the U.S. Central Credit Union or to the Federal Home Loan Bank of Des Moines, Iowa.

**14.5(4)** In the event that the public unit decides to extend the maturity of its deposit after the issuance of the letter of credit, the public unit shall obtain a new letter of credit. The new letter of credit must be obtained by the public unit prior to the original maturity date of the deposit.

**14.5(5)** If the credit rating of the U.S. Central Credit Union or the Federal Home Loan Bank of Des Moines, Iowa is lowered to a rating not within the two highest classifications of prime as established by at least one of the standard rating services approved by the superintendent of banking by rule pursuant to Iowa Code chapter 17A, then the U.S. Central Credit Union or the Federal Home Loan Bank of Des Moines, Iowa, shall immediately notify each credit union which is securing uninsured public deposits by use of a letter of credit issued by the U.S. Central Credit Union or the Federal Home Loan Bank of Des Moines, Iowa, and the treasurer. Each credit union, upon notification of the U.S. Central Credit Union or the Federal Home Loan Bank of Des Moines, Iowa, downgrade, shall immediately return the deposits, with interest accrued to that date, to the public units which are secured by a letter of credit.